

Message Text

LIMITED OFFICIAL USE

PAGE 01 BRASIL 00396 01 OF 02 142116Z
ACTION EB-07

INFO OCT-01 AF-08 ARA-06 EUR-12 IO-13 ISO-00 AID-05
CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00
XMB-02 OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01
NSC-05 SS-15 STR-04 CEA-01 AGRE-00 ITC-01 PA-01 PRS-01
L-03 H-01 /114 W
-----142154Z 047867 /71

R 142045Z JAN 77
FM AMEMBASSY BRASILIA
TO SECSTATE WASHDC 9616
INFO AMEMBASSY BOGOTA
AMEMBASSY CBNDON
AMEMBASSY ABIDJAN
AMEMBASSY SAN JOSE
AMEMBASSY GUATEMALA
AMEMBASSY SAN SALVADOR
AMEMBASSY MEXICO CITY
USMISSION EC BRUSSELS
USMISSION OECD PARIS
USMISSION GENEVA
AMCONSUL RIO DE JANEIRO
AMCONSUL SAO PAULO

LIMITED OFFICIAL USE SECTION 1 OF 2 BRASILIA 0396

E.O. 11652: N/A
TAGS: EPAP, ETRD, BR, CO
SUBJ: COFFEE - BRAZILIAN AND COLOMBIAN PRESIDENTIAL EXCHANGES

REF: (A) BRASILIA 200, (B) BRASILIA 340, (C) BOGOTA 265 (NOTAL)
(D) BOGOTA 364 (NOTAL)

1. SUMMARY. THIS TELEGRAM CONTAINS TEXTS OF PRESIDENT LOPEZ MICHELSEN'S TELEGRAM TO PRESIDENT GEISEL, AND THE LATTER'S RESPONSE. IN THE EMBASSY'S JUDGMENT, GEISEL PULLED OFF A DEFT
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BRASIL 00396 01 OF 02 142116Z

GRANDSTAND PLAY BY RELEASING THE TELEGRAMS: HE PROBABLY PLEASED BOTH CONSUMERS AND OTHER PRODUCERS (BESIDES COLOMBIA), AND HE PRESERVED BRAZIL'S FLEXIBILITY FOR MARKET INTERVENTION, SOMETHING BRAZIL SEEMS TO VALUE HIGHLY. END SUMMARY.

2. BEGIN TEXT OF LOPEZ MICHELSEN'S TELEGRAM. "SEVERAL PRODUCING COUNTRIES HAVING ADDRESSED TO US THEIR DISQUIET ABOUT

THE EVOLUTION OF THE INTERNATIONAL COFFEE MARKET IN RECENT DAYS, A DISQUIET WHICH WE SHARE GIVEN WHAT IS AT STAKE, I BELIEVED IT NECESSARY TO GET IN TOUCH WITH YOU IN ORDER TO SEE IF WE COULD FIND, TOGETHER AND HARMONIOUSLY, AN EQUITABLE, OPPORTUNE, AND SATISFACTORY SOLUTION. THE HIGH LEVELS REACHED BY EXTERNAL COFFEE PRICES SEEM TO HAVE BEGUN TO HAVE AN EFFECT ON CONSUMPTION JUDGING FROM RELIABLE INFORMATION. ALSO, THE DIRECTOR OF THE NEW YORK CITY DEPARTMENT OF CONSUMER AFFAIRS HAS BEGUN TO ORGANIZE A BOYCOTT AGAINST COFFEE THAT IS BEGINNING TO ACHIEVE SOME SUCCESS. THIS WILL SPELL SERIOUS DAMAGE TO THE POLICY OF THE AGREEMENT (COMMENT: THE ICA) SPONSORED BY THE GOVERNMENT OF YOUR EXCELLENCY AND BY MY GOVERNMENT. IN SUCH CIRCUMSTANCES, I CONSIDER IT ESSENTIAL TO ASK YOUR EXCELLENCY IF IT WOULD NOT BE MORE CONVENIENT FOR OUR COUNTRIES, AND IN GENERAL FOR ALL PRODUCERS, TO TRY TO STABILIZE PRICES AT THEIR CURRENT LEVELS OR (AT LEVELS) WHICH WE JUDGE TO BE MORE ADEQUATE. BY WORKING THIS WAY, IN MY OPINION, WE COULD STRENGTHEN OUR AUTHORITY IN MANAGING THE MARKET, CONSOLIDATE THE INTERNATIONAL COFFEE POSITION, AND GUARANTEE THE IMMEDIATE FUTURE, ANTICIPATING, IN A PERFECTLY SPONTANEOUS AND REACTIVE WAY, ANY ADVERSE REACTION FROM CONSUMERS.

3. "IF YOUR EXCELLENCY BELIEVES IT ADVISABLE TO FOLLOW THIS COURSE OF ACTION, WE WILL SEND AS SOON AS POSSIBLE A SPECIAL MISSION TO DISCUSS THIS SUBJECT WITH REPRESENTATIVES OF YOUR GOVERNMENT, WITHOUT PREJUDICING IN ADVANCE LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 BRASIL 00396 01 OF 02 142116Z

EFFORTS WITH THE US, MEXICO, UGANDA, THE IVORY COAST, AND THE CENTRAL AMERICAN COUNTRIES. I AM CERTAIN YOUR EXCELLENCY IS INCLINED, AS I AM, TO TAKE CONTROL OF THE MARKET, AND THEREBY TAKE IT AWAY FROM THE ACTIVITY OF SPECULATORS, WHICH CAN WORK IN FAVOR OF IMMODERATE HIGHS AS WELL AS DRASTIC AND DANGEROUS LOWS. THIS WOULD BE PERHAPS THE FIRST TIME PRODUCERS OF POPULAR CONSUMER GOODS RESOLVED TO WORK FOR A VIRTUAL TEMPORARY PRICE FREEZE, A PRECAUTION THAT WOULD PUT US IN A POSITION TO LIMIT ANY FUTURE CRISIS AS WELL.

4. "I AWAIT YOUR EXCELLENCY'S THINKING ON THIS MATTER OF VAST IMPORTANCE TO OUR TWO NATIONS, AS WELL AS YOUR SUGGESTIONS FOR REALIZING, AND FOR PROPOSING TO OTHER COUNTRIES, THIS INITIATIVE OF COMMON AGREEMENT. ACCEPT YOUR EXCELLENCY, MY WISHES FOR A HAPPY NEW YEAR FOR YOUR COUNTRY, AND FOR YOUR PERSONAL FORTUNE, TOGETHER WITH THE EVIDENCE OF MY REGARD AND MOST DISTINGUISHED CONSIDERATION. ALFONSO LOPEZ MICHELSEN, PRESIDENT OF COLOMBIA." END TEXT.

5. BEGIN TEXT OF PRESIDENT GEISEL'S TELEGRAM.

"THANK YOU, YOUR EXCELLENCY, FOR YOUR TELEGRAM IN WHICH YOU
EXPRESSED YOUR APPREHENSION ABOUT THE CHANGES THAT HAVE
TAKEN PLACE IN THE INTERNATIONAL COFFEE MARKET. I BELIEVE,
AS DOES YOUR EXCELLENCY, THAT WE SHOULD COMBINE OUR EFFORTS
IN THE SEARCH FOR A POLICY THAT ASSURES TRANQUILITY IN THE

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 BRASIL 00396 02 OF 02 142124Z
ACTION EB-07

INFO OCT-01 AF-08 ARA-06 EUR-12 IO-13 ISO-00 AID-05
CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00
XMB-02 OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01
NSC-05 SS-15 STR-04 CEA-01 AGRE-00 ITC-01 L-03 H-01
PA-01 PRS-01 /114 W
-----142153Z 047988 /71

R 142045Z JAN 77
FM AMEMBASSY BRASILIA
TO SECSTATE WASHDC 9617
INFO AMEMBASSY BOGOTA
AMEMBASSY LONDON
AMEMBASSY ABIDJAN
AMEMBASSY SAN JOSE
AMEMBASSY GUATEMALA
AMEMBASSY SAN SALVADOR
AMEMBASSY MEXICO CITY
USMISSION EC BRUSSELS
USMISSION OECD PARIS
USMISSION GENEVA
AMCONSUL RIO DE JANEIRO
AMCONSUL SAO PAULO

LIMITED OFFICIAL USE SECTION 2 OF 2 BRASILIA 0396

COFFEE MARKET, WHERE REAL PRICES ARE DETERMINED, AS WE KNOW,
BY THE NATURAL SCARCITY OF THE PRODUCT, OWING TO KNOWN
NATURAL CAUSES. BRAZIL HAS BEEN UNDERTAKING AN EXTRA-
ORDINARY EFFORT TO SUPPLY THE INTERNATIONAL COFFEE MARKET.

INDICATIVE OF THIS SITUATION IS THAT BRAZIL, IN SPITE OF
HAVING PRODUCED ONLY 6 MILLION BAGS IN 1976 -- AN AMOUNT

INSUFFICIENT TO MEET INTERNAL CONSUMPTION -- SUPPLIED THE
INTERNATIONAL MARKET WITH 16 MILLION BAGS. IN THE LAST
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BRASIL 00396 02 OF 02 142124Z

QUARTER OF 1976, BRAZIL RESPONDED TO THE ADDITIONAL DEMAND
FOR ITS COFFEE THAT RESULTED FROM A SCARCITY OF AFRICAN
COFFEE. THE RESULT OF THIS ACTION WAS A DRASTIC REDUCTION

OF OUR STOCKS, WHICH LEADS US TO LOOK WITH APPREHENSION AT
CONSUMER NEEDS IN THE CRITICAL YEARS OF 1977 AND 1978,
BEFORE THE RECOVERY OF OUR COFFEE PRODUCING AREA DEVASTATED
BY THE FROST. RECOGNIZING, HOWEVER, THAT THE MARKET PROBLEM
CANNOT BE SOLVED EXCLUSIVELY BY THE PRODUCING COUNTRIES, I
BELIEVE THE BEST APPROACH WOULD BE TO TAKE THE SUBJECT TO
ITS PROPER FORUM, THROUGH THE CONVOCATION OF A SPECIAL
MEETING OF THE ICO TO EXAMINE THE THEME OF MARKET SUPPLY
IN THE CRITICAL YEARS OF 1977 AND 1978, IN CONFORMANCE, BY
THE WAY, WITH A SUGGESTION MADE BY THE IVORY COAST THROUGH
THE BRAZILIAN EMBASSY IN WASHINGTON. PERMIT ME, THEREFORE,
TO PROPOSE TO YOUR EXCELLENCY THAT TOGETHER WE CALL FOR
THIS MEETING. ACCEPT, MY DEAREST FRIEND, MY WISHES OF
FRATERNAL PROSPERITY FOR THE COLOMBIAN PEOPLE AND FOR
YOURSELF. ERNESTO GEISEL, PRESIDENT OF THE FEDERATIVE
REPUBLIC OF BRAZIL." END TEXT.

6. COMMENT. BY RELEASING LOZEZ MICHELSEN'S AND HIS
OWN TELEGRAM, GEISEL PULLED OFF A DEFT GRAND-
STAND PLAY. TO OTHER PRODUCERS BESIDES COLOMBIA, GEISEL'S
MOVE GAVE THE IMPRESSION BRAZIL WANTED ALL PRODUCERS TO
BE INVOLVED FROM THE START IN ANY INTERNATIONAL INITIATIVES
ON COFFEE. GEISEL'S REJECTION OF THE PRICE FREEZE PRO-
POSAL SUGGESTED TO OTHER PRODUCERS THAT BRAZIL
DID NOT WANT TO ENDORSE ANY SPECIFIC REMEDY WITHOUT FIRST
ALLOWING A SAY TO ALL PRODUCERS, MANY OF WHOM MAY NOT YET
HAVE MADE UP THEIR MINDS ON WHAT REMEDIES, IF ANY, THEY WOULD
FAVOR. TO CONSUMERS, GEISEL'S TACTIC HAD THE OBVIOUS
POSITIVE EFFECT OF REITERATING BRAZILIAN OPPOSITION TO
PRODUCER-ONLY CABALS AND BRASILIAN SUPPORT FOR THE USE
OF PRODUCER-CONSUMER FORUMS.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 BRASIL 00396 02 OF 02 142124Z

7. THE BEAUTY OF ALL THIS FOR BRAZIL, OF COURSE, IS THAT
THE ICO ROUTE, RATHER THAN A HASTILY-ADOPTED SPECIFIC BUT
POTENTIALLY CONFINING REMEDY (E.G., PRICE FREEZE), PRESERVES
BRAZIL'S FLEXIBILITY OF ACTION. BRAZIL ESPECIALLY CHERISHES

ITS FLEXIBILITY AT THIS TIME IN VIEW OF ITS PROBABLE NEED
AGAIN IN 1977 TO USE COFFEE EXPORTS, AND COFFEE MARKETING POLICY
BROADLY DEFINED, AS INSTRUMENTS TO IMPROVE BRAZIL'S
TRADE ACCOUNT. SECONDLY, BRAZIL REALIZES IT IS IN A
BETTER POSITION THAN OTHER PRODUCERS TO TAKE ADVANTAGE
OF FLEXIBILITY IF THE NEED ARISES. BRAZIL PROBABLY
IS THE ONLY PRODUCER THAT CAN ADJUST SUBSTANTIALLY ITS
EXPORT FLOWS (AND HENCE WORLD COFFEE PRICES) THROUGH
STOCK-MANAGEMENT POLICIES. NO OTHER PRODUCER CARRIES
LARGE STOCKS. ALSO, BRAZIL MAY HAVE A GREATER FINANCIAL
CAPABILITY, AND A BETTER EXCUSE (I.E., TO SUPPLY THE
DOMESTIC SOLUBLE INDUSTRY), THAN OTHER PRODUCERS TO
UNDERTAKE SUBSTANTIAL FOREIGN PURCHASING IN ORDER TO
MAINTAIN OR RAISE WORLD COFFEE PRICES. THAT BRAZIL
PERHAPS VALUES FLEXIBILITY MORE THAN OTHER PRODUCERS MAY
HAVE IMPLICATIONS FOR THE OUTCOME OF THE SPECIAL ICO
MEETING.

CRIMMINS

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COFFEE, FOREIGN TRADE, DIPLOMATIC COMMUNICATIONS
Control Number: n/a
Copy: SINGLE
Sent Date: 14-Jan-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977BRASIL00396
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770015-0351
Format: TEL
From: BRASILIA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770152/aaaabtpj.tel
Line Count: 243
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: d7f904da-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 BRASILIA 200, 77 BRASILIA 340, 77 BOGOTA 265, 77 BOGOTA 364
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 30-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3600544
Secure: OPEN
Status: NATIVE
Subject: COFFEE - BRAZILIAN AND COLOMBIAN PRESIDENTIAL EXCHANGES
TAGS: EPAP, ETRD, BR, CO
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/d7f904da-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009